SUPPORT DOCUMENT

Government funding of VET 2020: jurisdictional asset accounting policies

National Centre for Vocational Education Research

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Accrual accounting

Data are prepared on an accrual basis in accordance with the requirements of Australian equivalents to International Financial Reporting Standards, current Australian Accounting Standards Board (AASB) interpretations, relevant state and territory audit acts, public finance standards and financial reporting directions of states and territories. Current Exposure Drafts released by the AASB also provide a useful reference to future directions.

Non-current physical asset valuations

New South Wales

Physical non-current assets are valued in accordance with NSW Treasury 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government such as zoning and heritage restrictions. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date. The last comprehensive revaluation for land and buildings was completed for the year ended 30 June 2018 and was based on independent valuation experts Jones Lang la Salle (JLL).

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. Revaluations to determine indexation values are completed using independent valuation experts and depending on changes in the indexation value, management may change the fair value of non-currents assets.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation for fair value. The state has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then adjusted by the revaluation increments or decrements.

As a not-for-profit entity, revaluation increments and decrements are only offset within a class of non-current assets. The state has two classes related to the asset revaluation reserves being land and buildings.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Revaluation increments are recognised in other comprehensive income and credited to the asset revaluation surplus. However, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in asset revaluation surplus in respect of the same non-current class of assets, they are debited directly to the asset revaluation surplus.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end.

Victoria

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Non-current physical assets measured at fair value are revalued in accordance with Financial Reporting Directions issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

All non-financial assets are subject to impairment tests on an annual basis.

Queensland

Land, buildings (including land improvements such as sports facilities), and buildings under a financing arrangement are measured at fair value as required by Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

Where intangible assets have an active market, they are measured at fair value; otherwise they are measured at cost.

Revaluation of non-current assets

Land and buildings (including land improvements such as sports facilities) are revalued by management each year to ensure that they are reported at fair value. Management valuations incorporate the results from the independent revaluation program and the indexation of the assets not subject to independent revaluation each year. This ensures that all assets are simultaneously valued, and materially reflect their fair value at balance date.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income in the statement of comprehensive income.

Any revaluation decrement is recognised in the statement of Comprehensive Income as an expense, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Western Australia

Property, plant and equipment are initially recognised at cost.

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. Artworks are carried at fair value.

All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, that is, the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. Fair value for restricted use of land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

South Australia

Non-current assets are initially recorded at cost plus any incidental costs involved with the acquisition. Non-current assets (excluding land) are subsequently measured at fair value less accumulated depreciation which gives rise to a new fair value. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the statement of financial position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, that is, the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every six years, the Department revalues its land and buildings and libraries. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

The most recent valuations have been conducted as at 30 June 2014 for Land, Buildings, and the Library collection; and 1 June 2018 for Works of Art.

Tasmania

Land, buildings, heritage assets and other long-lived assets are recorded at fair value less accumulated depreciation, whilst all other non-current physical assets are recorded at historic cost less accumulated depreciation and accumulated impairment losses. All assets within a class of assets are measured on the same basis.

Three methods of valuation were adopted when valuing the land and building assets being depreciated replacement cost, a comparable sales approach and an income approach. Specialised building assets such as TasTAFE buildings are valued using a depreciated replacement cost method because there are no comparable sale transactions. The majority of TasTAFE building assets are valued using depreciated replacement cost. The comparable sales approach was used to value market type assets such as vacant land. This approach considers market sales evidence that is comparable to the subject asset. The income approach was adopted for market type assets such as office buildings. This approach considers the rental earning capacity of the building to calculate the valuation.

Northern Territory

Department of Industry, Tourism and Trade, Department of Education, Department of the Attorney General and Justice: Subsequent to initial recognition, land and buildings are revalued with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value. Plant and equipment are stated at historical cost less depreciation, which is deemed to equate to fair value.

Charles Darwin University: Land and buildings are valued at fair value.

Batchelor Institute of Indigenous Tertiary Education: Land and buildings are valued at fair value. Batchelor revalues property, plant and equipment and Library items every five years by an external independent valuer. In addition to the external valuation every five years, the artwork collections are subject to periodic review by electronic means.

Australian Capital Territory

The Canberra Institute of Technology conducted an asset revaluation in 2014 for its land, buildings and building improvements, plant and equipment, heritage assets and artworks.

Fair value for land and non-specialised buildings is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets.

Leasehold improvements and plant and equipment are measured at cost.

Heritage assets artworks comprise works produced by students and held for permanent exhibition, for which fair value is determined using a market price where there is a market for the same or a similar item.

Land, buildings, plant and equipment, and heritage assets are revalued every three years. As these assets were revalued in 2017, the next asset revaluation is scheduled for 2020. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Any accumulated depreciation relating to buildings, plant and equipment and heritage assets, at the date of revaluation, is written-back against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Current depreciation methods for non-current physical assets

New South Wales

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life by the state. Land is not a depreciable asset.

All material identifiable components of assets are depreciated separately over their useful lives.

Asset	Useful life range
Buildings	10 - 80 years
Leasehold Improvements	Term of the lease
Heritage Buildings	20 - 200 years
Plant and Equipment	3 - 43 years

Victoria

Depreciation is provided on property, plant and equipment, including buildings but excluding land. Depreciation is calculated on a straight-line basis to write off the cost or revalued amount for each fixed asset, less its estimated residual value, over its expected useful life. The expected useful life of each asset is reviewed on an annual basis.

Queensland

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life.

Western Australia

Depreciation and amortisation is calculated using the straight-line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are as follows:

Asset	Useful life
Buildings	40 years
Plant and Machinery	5 - 12 years
Office Equipment	3 - 15 years
Computer equipment	3 - 5 years
Furniture & Fittings	10 years
Motor Vehicles	5 years
Land is not depreciated.	

The expected useful lives for each class of intangible assets are as follows:

Asset	Useful life (years)
Computer software*	3 – 5 years
Internally developed software	3 – 10 years

*Software that is not integral to the operation of any related hardware.

South Australia

Non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, library collections and plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land and works of art are not depreciated.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Asset	Useful life (years)
Buildings	25 – 80 years
Plant and Equipment	1 – 45 years
Library collection	3 – 15 years
Leasehold improvements	10 years or life of the lease

Tasmania

All applicable Non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Land, being an asset with an unlimited useful life, is not depreciated. Heritage assets are also not depreciated as their value does not diminish.

Key estimate and judgement

Depreciation is provided for on a straight-line using rates which are reviewed annually. Major depreciation asset categories and their useful lives are:

Asset	Useful life (years)
Plant and equipment	3 – 20 years
Buildings	40 – 60 years

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by TasTAFE. Major amortisation rates are:

Asset	Useful life (years)
Software	5 years

Northern Territory

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Land is not a depreciable asset.

Australian Capital Territory

Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as buildings, infrastructure assets, and plant and equipment.

Land has an unlimited useful life and is therefore not depreciated.

Heritage assets are not depreciated.

Leasehold improvements are depreciated over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is shorter. Buildings and plant and equipment is depreciated over the estimated useful life of each asset.

All depreciation is calculated after first deducting any residual values which remain for each asset.

Depreciation/amortisation for non-current assets is determined as follows:

Class of asset	Depreciation/Amortisation Method	Useful Life
Buildings	Straight Line	5 - 100 years
Leasehold Improvements	Straight Line	2 – 10 years
Plant and Equipment	Straight Line	2 – 20 years
Externally Acquired Software	Straight Line	2 – 5 years

Current capitalisation threshold for plant and equipment

New South Wales

Property, plant and equipment costing $10 000 and above individually (or forming part of a network costing more than $10 000) are capitalised. The threshold for intangibles is $50 000. Capitalisation thresholds remain unchanged from prior year.

Victoria

TAFE institutes (except for Holmesglen TAFE institute) have a capitalisation threshold of $5000 except for land and cultural assets (libraries); all other public VET plant and equipment items with a cost in excess of $5000 are capitalised as non-current assets. All land and library acquisitions are capitalised and no thresholds apply.

Holmesglen TAFE institute has increased the capitalisation threshold from $5000 to $10 000 effective from 9 December 2013. The assets that have been affected by this change comprise mainly computer related equipment and engineering plant and equipment used for teaching purposes.

Queensland

In accordance with the *Non-Current Asset Policies for the Queensland Public Sector*, the recognition threshold for plant and equipment (including computer equipment and leasehold equipment) is $5000.

Western Australia

The capitalisation threshold for property, plant and equipment is $5 000.

Thresholds for the capitalisation of intangible assets are as follows

Computer software and licences — $5 000

Internally generated intangible assets — $1 000 000

South Australia

The capitalisation threshold for property, plant and equipment and intangibles is $10 000.

Items under $10 000 are recorded in the statement of comprehensive income as an expense in the accounting period in which they are acquired.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed. All works of art are capitalised irrespective of their value.

Tasmania

The capitalisation threshold for property, plant and equipment and intangibles is $10 000. Capital works and intangibles are capitalised at $150 000.

Northern Territory

Department of Industry, Tourism and Trade, Department of Education, Department of the Attorney General and Justice, and Charles Darwin University: The capitalisation threshold for property, plant and equipment is $10 000.

Batchelor Institute of Indigenous Tertiary Education: The capitalisation threshold for property, plant and equipment is $5000.

Australian Capital Territory

Property, plant and equipment with a value above $2,000 (GST exclusive) is capitalised (or $50 000 exclusive of GST in the case of externally acquired software for the Canberra Institute of Technology).